

**THE ARKANSAS ACHIEVING A BETTER LIFE EXPERIENCE  
PROGRAM TRUST**

**PROGRAM RULES AND REGULATIONS**



TABLE OF CONTENTS

	<u>Page</u>
Section 1. General.....	1
Section 2. Definitions.....	1
Section 3. Interstate Agreement or Compact .....	5
Section 4. Program Distribution and Participation .....	5
Section 5. Federal Reporting Requirments .....	12



## **Section 1. General**

The Arkansas Achieving A Better Life Experience (ABLE) Program (the “Program”), is established pursuant to the Arkansas ABLE Act, Chapter 3 of Title 20 of the Arkansas Code, as amended, codified as Ark. Code Ann. § 20-3-104, et seq. (the “Act”). The Program is designed to satisfy the requirements of Section 529A of the Internal Revenue Code of 1986, as amended, and any regulations, rulings, announcements and other guidance issued thereunder (collectively referred to as “Section 529”). In accordance with the Act, the Section Arkansas ABLE committee (the “Committee”) has established the following rules and regulations governing the operation of the Program. To the extent these rules and regulations are interpreted to be inconsistent with provisions of Section 529A, the provisions of Section 529A shall prevail. The Program may be affected by subsequent changes in federal and state legislation. The Committee shall have the right to modify these rules and regulations from time to time to comply with then current federal law and regulations applicable to the Program and for other purposes. Capitalized terms not defined herein shall have the meaning ascribed to them in the Act.

## **Section 2. Definitions**

ABLE means the federal Achieving a Better Life Experience Act of 2014 (26 USC 529A, as amended) that creates state-level tax-advantaged savings programs to assist persons with blindness or disability.

ABLE Program or Program means the Arkansas ABLE Account Program administered by the State Treasurer.

ABLE Program Committee or Committee means the committee created pursuant to § 20-3-104, or any successor provision thereto.

Account Application Form means an application substantially in the form approved by the Committee from time to time.

Account means an individual investment account established and maintained in the ABLE Program.

Account Administrator means the person selected by the ABLE Committee to administer the daily operations of the ABLE account plan and provide marketing, recordkeeping, investment management, and other services for the plan.

Account Beneficiary means the account owner whose qualified expenses are expected to be paid from an account.

Administrative Expenses means all expenses associated with the implementation and administration of the ABLE Program, including fees payable to third parties providing services related to the plan.

Age-Based Option means a Portfolio the assets of which are invested in a combination of Underlying Investments, currently based on the ages of Designated beneficiaries specified for such Portfolio.

American Arbitration Association means a non-profit provider of alternative dispute resolution services.

Approved Allocation means the allocation of assets for a Portfolio as approved by the Committee as may be set forth in the Program Management Agreement.

Approved Allocation Effective Date means the annual date (July 1) by which the Approved Allocation for a Portfolio is approved, as may be set forth in the Program Management Agreement.

Arkansas Administration Fee means any fee paid out of a Plan's assets to the Committee pursuant to a Program Management Agreement.

Business Day means each day on which the New York Stock Exchange is open for trading.

Cash means U.S. dollars, checks or electronic funds transfers, or any other method deemed appropriate by the Committee.

Code means the Internal Revenue Code of 1986, as amended (26 USC 1 et seq.).

Contracting State means a state without a qualified ABLE program that has entered into a contract with Arkansas to provide residents of the contracting state access to a qualified ABLE program.

County Public Guardian means a designated representative authorized by the State to act as a designated representative for an account beneficiary that may not have a designated representative.

Designated Representative means a person who is authorized to act on behalf of an account beneficiary.

Disability Certification means the certification described in Section 529A of the Code, Section 01130.740 of the Social Security Administration's Program Operations Manual System, or IRS Notice 2015-81.

Contribution Maximum means the maximum amount that an Account owner can contribute to an all Program Accounts for the same Designated beneficiary, as determined from time to time by the Committee in accordance with the Achieving a Better Life Experience Program as provided under the Tax Increase Prevention Act of 2014, Pub. L. No. 113-295

Designated Beneficiary Change Form means a change of a Designated beneficiary substantially in the form approved by the committee, from time to time.

Earnings means the aggregate total of all dividends and interest income received by the ABLE savings account plan at any time following the plan's commencement. The aggregate total of dividends and interest income shall be reduced by the aggregate total of

administrative expenses paid out of the pool at any time following the commencement of the plan. Earnings shall be determined without regard to realized or unrealized capital gains and losses incurred by the plan.

Eligible Individual has the meaning given to that term under Section 529A of the Code.

Eligible Participant means an individual as defined in AR Code Title 20-3-103 (4)

FDIC means the Federal Deposit Insurance Corporation.

Federal Guidelines means official guidance from federal agencies with jurisdiction over ABLE, specifically the SSA's Program Operations Manual System (SI 01130.740) (2016) and IRS Notice 2015-81, "Guidance Under Section 529A: Qualified ABLE Programs" (80 FR 35602) (2015). These incorporations by reference refer to the guidelines on the date specified and do not include any editions or amendments subsequently to the date specified.

Investment Fund means the portion of a Plan's assets invested in underlying Investments (i.e., that portion of the Plan's assets not held in the Operating Fund).

Investment Manager means the entity employed by the Program Manager to manage the assets of the Portfolios.

IRS means the Internal Revenue Service.

Management Fee means any fee paid out of a Plan's assets to the Program Manager pursuant to a written agreement approved by the Committee.

MSRB means Municipal Securities Rulemaking Board and any duly established entity which succeeds to the functions thereof.

Net Asset Value means: (1) the net asset value per share of the Underlying Investments as of the market close on that Business Day; (2) adjustments, if any, to the net asset value per share of any Underlying Investments made after the market close; (3) net purchase orders and net redemption orders received by the Investment Manager from the Program Manager each Business Day; (4) the deduction and payment of fees and expenses from the Portfolios by the Program Manager, or by the Investment Manager; and (5) the Investment Manager's reinvestment, into any Underlying Investment it or its affiliate offers and manages, of any income, dividends and/or capital gain distributions paid by underlying funds.

NYSE means the New York Stock Exchange.

Operating Account means the account established for the purpose of holding the Arkansas Administration Fee.

Operating Fund means that portion of a Plan's assets not held in the Investment Fund.

Participation Agreement means an agreement to participate in the ABLE account plan between an account owner and the State, through its agencies and the State Treasurer.

Plan means the ABLE savings account plan authorized by the Act.

Portfolio means one of the Plan Portfolios established within the Investment Fund to which Contributions may be allocated, and that are invested in Underlying Investments.

Program Description means the complete disclosure document or set of documents describing a Plan, including any supplement(s) thereto, each as amended from time-to-time, constituting an “official statement” within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, and the rules of the MSRB and any successor to the applicable functions thereof.

Program Distributor means the program distributor employed by the Committee pursuant to Ark. Code Ann. § 20-3-104, or any successor provision thereto, and designated as such in the then current Program Description.

Program Management Agreement means a written agreement among the Trust, the Committee and the Program Manager.

Program Manager means both the program manager and the recordkeeping and servicing agent employed by the Committee pursuant to Ark. Code Ann. § 20-3-104, or any successor provision thereto, and designated as such in a Program Management Agreement.

Qualified Beneficiary means an individual who is entitled to benefits based on blindness or disability under title II or XVI of the Social Security Act, or who has a "disability certification" filed with the Secretary and was disabled before age 26.

Qualified Disability Expenses means expenses that are qualified under Section 529A of the Code.

Qualified Withdrawal or "Qualified Distribution" means a withdrawal from an ABLE account to pay the qualified disability expenses of the beneficiary of the account.

Rollover Contribution means a Contribution to an Account which is transferred to or deposited in the Account from another program operating as a “qualified ABLE program” within the meaning of Section 529, or any successor provision thereto, of the Code.

Rollover Distribution means a distribution or transfer from an Account which is transferred to or deposited in another program operating as a "qualified ABLE program" within the meaning of Section 529, or any successor provision thereto, of the Code.

Secretary means the U.S. Secretary of the Treasury.

SSA means the Social Security Administration.



SSI Limit means the Supplemental Security Income limit.

Series means a class of units of a Portfolio.

State means the State of Arkansas, acting through its executive, administrative, legislative and judicial branches.

Treasurer means the duly elected Treasurer of the State of Arkansas or his or her designee or designees, which may include one or more third party service providers.

Underlying Investments means ETF's, securities, separate accounts, registered mutual funds or other investments in which assets of a Portfolio are invested.

Withdrawal means a Qualified withdrawal or a Nonqualified withdrawal.

Withdrawal Request means a request by an Account owner to effect a Withdrawal substantially in the form or other process approved by the Committee, from time to time.

Year-of-Enrollment Portfolio means a Portfolio the assets of which are invested in a combination of Underlying Investments based upon the designated beneficiaries participated year of enrollment as determined by the Account owner.

### **Section 3. Interstate Agreement or Compact**

The Treasurer may enter into an interstate agreement for joint ABLE-related services, in order to achieve better programming and higher economies of scale in investment options.

### **Section 4. Program Structure**

**A. The Trust.** The Trust is comprised of an Investment Fund and an Operating Fund.

1. Investment Fund. The Investment Fund initially receives all Contributions to Accounts made by Account owners pursuant to Participation Agreements. The Investment Fund is invested in underlying investments.

2. Operating Fund. The Operating Fund is comprised of the Operating Account and such sub-accounts as may be established by the Committee from time to time.

**B. Portfolios.**

1. General.

a. The Investment Fund may be divided into one or more Portfolios and/or Series of Portfolios. Each Portfolio will represent a separate, segregated portfolio of underlying Investments held in the Investment Fund.

b. Contributions made to an Account on behalf of a Designated beneficiary are invested in units of one or more Series of one or more

Portfolios based on an election on the Account Application Form (or other appropriate form) made by an Account owner. If an Account owner is awarded a matching grant, the matching grant will be invested according to the Portfolio(s) allocation instructions on file for the account owner's Account. The terms, expenses and sales charges, if any, as well as the availability of different Portfolios (or Series thereof) shall be as described in the then current Program Description.

c. The assets of each Portfolio will be rebalanced periodically on an as needed basis to conform each Portfolio to the Approved allocation.

d. The Arkansas ABLE Account Program or the Program Manager has the right to alter the basis of assigning Accounts to Age-Based Options and, subject to receipt of reasonably satisfactory assurance that such reassignment would not disqualify the affected Accounts or the Program from treatment, for federal tax purposes, as described in the then current Program Description and/or Supplement, or any supplements thereto, to reassign existing Accounts for any reason it deems appropriate.

2. Change of Designated Beneficiary.

a. An Account owner shall have the right to name the designated beneficiary of an account and at any time to change the designated beneficiary of an account to an eligible individual who is a member of the family of the former designated beneficiary.

b. At the direction of an account owner, all or a portion of an account may be transferred to another account of which the designated beneficiary is a member of the family of the designated beneficiary of the transferee account if the transferee account was created by this chapter or in accordance with the Achieving a Better Life Experience Program as provided under the Tax Increase Prevention Act of 2014, Pub. L. No. 113-295

3. Subsequent Portfolios and Series. The Committee shall have the authority to increase or decrease the number of Age-Based Options or Custom Portfolio Options and/or the number of Series of each such Portfolio and to create or terminate any additional Portfolios or Series the terms of which shall be as set forth in the then current Program Description provided.

C. Net Asset Value. The Program Manager, or its delegate, will calculate a Net Asset Value for each Portfolio (or Series thereof) of the Investment Fund as described in the then current Program Description.

#### **Section 4. Program Distribution and Participation**

A. Program Distribution.

1. Except as otherwise indicated in this chapter, interest, dividends, and capital gains from funds invested in the Achieving a Better Life Experience Program are exempt from Arkansas income taxes.
2. A qualified distribution from a disability savings account established under the program is exempt from Arkansas income tax with respect to the designated beneficiary's income.
3. Nonqualified distributions from a disability savings account established under the program are subject to Arkansas income tax. The nonqualified distribution is taxable to the party, account owner, or designated beneficiary who actually makes the withdrawal.
  - a. Earnings on a contribution that are included in a refund are subject to Arkansas income tax if an account owner receives a refund of contributions to a disability savings account established under the program 21 because of either: (1) The death or disability of the designated beneficiary; or (2) A scholarship, allowance, or payment described in 26 U.S.C. § 135(d)(1)(B) or (d)(1)(C) as in effect on January 1, 2014, received by the designated beneficiary.

**B. Program Participation.**

1. Opening an Account. An Eligible Participant must complete an Account Application Form and any other documents required by the Committee or, the Program Manager, these rules and regulations, or applicable federal and state law or regulation and submit such documents to the Program Manager along with the initial minimum account contribution as set forth in the then current Program Description. The acceptance by the Program Manager for processing an Account Application Form and an initial contribution does not constitute the agreement of the Program Manager to open an account. The Program Manager has the right, but not the obligation to reject an Account Application Form that does not contain all information requested on the Account Application Form. There shall be no restrictions on the age of the Designated beneficiary (except as may be deemed necessary to comply with applicable law) or any required relationship between the Account owner and Designated beneficiary.
2. Entering into a Participation Agreement. Subsequent to or concurrently with opening an Account, an Eligible Participant must provide the information required by and agree by virtue of opening an Account to be bound by a Participation Agreement for each Designated beneficiary on whose behalf the Account owner intends to make Contributions.
3. Assigning Accounts to Portfolios and Series. The Program Manager will assign each Account to a Portfolio(s) based upon information submitted by the Account owner.

4. Contributions to an Account.

a. Form of Contribution. Contributions must be made in Cash only. As used in this section, "Cash" includes checks or electronic funds transfers. Contributions may be made: (i) by lump sum payment; (ii) by electronic funds transfer from an existing account of the Account owner pursuant to an automated investment plan; (iii) by employer payroll deduction; or (iv) by such other method as set forth in the then current Program Description. The term does not include money orders, travelers checks, foreign checks not in U.S. dollars, checks dated over 90 days, post-dated checks, checks with unclear instructions, securities, non-cash assets, charges on debit, credit cards or any other payment method prohibited by the then current Program Description. In order for an Account owner to make Contributions by employer payroll deduction, the Account owner's employer must be able to meet the Program Manager's operational and administrative requirements for Qualified tuition program payroll Contributions.

b. Amount of Contribution. The minimum initial and minimum subsequent Contribution amount by check is as set forth in the then current Program Description, and may, from time to time, be revised subject to the approval of the Committee. The minimum initial and minimum subsequent Contribution amount by automatic investment plan are as set forth in the then current Program Description. The Contribution Maximum for all Accounts for a Designated beneficiary is as set forth in the then current Program Description.

c. Crediting of Contributions. The Program Manager generally shall credit Contributions to an Account as of the same Business Day as received in good order as determined by the Program Manager, provided such Contributions are delivered to and accepted by the Program Manager by 4:00 p.m. Eastern time on such Business Day, or upon such other Business Day as may be set forth in the then current Program Description. The Program Manager generally shall credit Contributions made by electronic fund transfer to an Account generally the next Business Day after the transfer is received in good order as determined by the Program Manager, provided such Contributions are delivered to and accepted by the Program Manager by 10:00 p.m. Eastern Time on such Business Day, or upon such Business Day, or upon such other Business Day as may be set forth in the then current Program Description.

d. Accounting of Contributions. On the Business Day of the investment of a Contribution by the Program Manager, units (or additional units) of the applicable Portfolio(s) will generally be reflected in the records of the Program for the applicable Account. Contributions made by check, which are received in good order, will generally be considered received by the Program in a given year if received on or before December 31st of the same year, provided the checks are subsequently paid. Contributions made pursuant to an electronic

funds transfer will generally be considered received by the Program in a given year if initiated by the Account owner on or before 10:00 p.m. Eastern Time on December 31<sup>st</sup> of such year, provided the funds are subsequently withdrawn from an Account owner's checking or savings account at another financial institution. Contributions made pursuant to an automatic investment plan will generally be considered received by the Program in the year the automatic investment debit has been deducted from an Account owner's checking or savings account at another financial institution.

e. Investment of Contributions. A Contribution to an Account is generally invested in units of the Portfolio(s) designated by the Account owner or assigned by the Program Manager and/or the Committee on the same Business Day as the crediting of the Contribution to an Account, or upon such other Business Day as may be set forth in the then current Program Description.

f. Accounting for Contribution. On the Business Day following the investment of a Contribution by the Program Manager, units (or additional units) of the applicable Portfolio(s) will generally be reflected in the records of the Program for the applicable Account.

g. Overfunding an Account. Any Contribution made by an Account owner will generally be returned to the Account owner in the event the Contribution exceeds the Contribution Maximum for the Designated beneficiary. All Accounts within the Program for the same Designated beneficiary will be aggregated for purposes of determining whether the Contribution Maximum has been exceeded. At the Program Manager's discretion, a penalty may be imposed on Contributions which exceed the Contribution Maximum. The Program Manager may refuse Contributions, which it determines, in its sole discretion, appear to constitute an abuse of the Program.

h. Rollover Contributions. Rollover Contributions to an Account must be accompanied by an incoming rollover form (or such other form as approved by the Committee) executed by the Account owner and submitted in good order as determined by the Program Manager. An incoming rollover form (or other approved form) must include all information the Program Manager and/or Committee may require in order to process the Rollover Contribution in accordance with all requirements of the Program, including those specified in these rules and regulations, the Program Description, and applicable federal and state law or regulation. The Program Manager has the right, but not the obligation to reject an applicable form that does not contain all information requested. The Program Manager may record the entire amount of the Contribution as earnings unless the incoming rollover form (or other approved form) is accompanied by a statement from the administrator or manager of the Section 529 Qualified ABLE program from which the Rollover Contribution is made detailing the amount of the Rollover Contribution that constitutes

principal and the amount of the Rollover Contribution that constitutes earnings, together with such other information as the Committee and/or Program Manager may require. Rollover Contributions to an Account may be subject to federal income tax and/or penalties as required by then current federal law or regulation. Reporting and payment of any such federal or state taxes or penalties shall be the obligation of the Account owner.

6. Changes to an Account.

a. Change in Designated Beneficiary. To change the Designated beneficiary of an Account, the Account owner must complete a Designated Beneficiary Change Form or such other form as the Committee shall approve (and any additional required documentation) and submit it in good order as determined by the Program Manager in accordance with all requirements of the Program, including those specified in these rules and regulations, the Program Description, and applicable federal or state law or regulation. The Program Manager has the right, but not the obligation to reject an applicable form that does not contain all information requested. If the Account owner's request is in good order (as determined by the Program Manager), the Designated beneficiary on the Account will be changed to the new Designated beneficiary on the records of the Program.

b. Partial Transfer of Account Assets to New Designated Beneficiary. To transfer some, but not all, assets from one Account to another Account, the Account owner must provide such information as is necessary for the Program Manager to process such transaction in accordance with all requirements of the Program, including those specified in these rules and regulations, the Program Description, and applicable federal law or regulation. If the Account owner's request is in good order as determined by the Program Manager the amount specified by the Account owner for transfer from the Account will be transferred to on the records of the Program to an Account for the benefit of the new Designated beneficiary.

c. Successor Account owner. An Account owner may name a successor Account owner if permitted by the applicable form, and to the extent permissible in accordance with the Program Description and applicable law. On notification to the Program Manager of the death of the Account owner, accompanied by a death certificate or other proof of death recognized under applicable law and such other information as the Program Manager requires, the Program Manager will change the Account owner for the Account on the records of the Program. In the event a successor Account owner is not named on the Account Application Form or the named successor Account owner does not accept the Account, and the Account owner has not disposed of the Account otherwise in a will, trust or other testamentary disposition, the surviving spouse of the Account owner will become the Account owner for the Account. In the event there is no surviving spouse and the Designated beneficiary is not a minor, the Designated beneficiary will become the

Account owner for the Account. If the Designated beneficiary is a minor, the Designated beneficiary's custodial parent will become the Account owner for the Account. If the Designated beneficiary has more than one custodial parent the custodial parent whose birthday is earlier in the calendar year will become the Account owner for the Account. If a court of competent jurisdiction declares an Account owner legally incompetent and appoints a successor Account owner, the Program Manager will change the Account owner for the Account on the records of the Program.

d. Change in Account Owner. The Account owner may transfer ownership of an Account to another Eligible Participant, if the transfer is made without consideration. The Account owner will be responsible for any adverse federal and state tax consequences arising from such a change. A change of Account owner must be accompanied by an account information change form or such other form as approved by the Committee and submitted in good order as determined by the Program Manager.

e. Account Owner Direction of the Investment of Contributions. Account owners cannot direct the investment of Contributions (or the earnings on Contributions) once they have been used to purchase units of the designated Portfolio(s). Account owners may change how investments are allocated among the available Portfolio options in accordance with the then current Program Description and applicable law or regulation.

f. General. The ability of Account owners to affect changes in and the consequences to Account owners may be affected by subsequent changes in federal and state legislation.

6. Penalties for Misrepresentations. In the event an Account owner makes any material misrepresentation in any oral or written communication with the Committee or the Program Manager, the Program Manager may terminate an Account owner's Account and may charge a penalty of up to fifteen percent (15%) on the investment earnings of the Account, and may seek to recover any losses incurred by the Program, the Committee, or the Program Manager as a result of such misrepresentation.

## **Section 5. Federal Reporting Requirements**

The Program will comply with all reporting responsibilities as outlines in the federal guidelines. The Treasurer will compile or cause to be compiled the needed information to complete any reports.

**These Amended and Restated Rules and Regulations are adopted as of \_\_\_\_ \_\_, 20\_\_.**

**THE ARKANSAS ABLE PROGRAM  
COMMITTEE**

By: \_\_\_\_\_

Name: Emma Willis

Title: Director of 529 Programs and Financial  
Education